

How would recent events affect your financial investments?

FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION

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Weekly Commentary & Stock recommendation

...for the week 21st June - 25th June 2021

Global Economy

- ◆ Earlier in the week, plans for a new IMF “Resilience and Sustainability” fund, which would allow the Development Financing Institution to expand its support to more vulnerable countries, gained crucial global backing ahead of a string of meeting with key stakeholders. The proposed “Trust” is expected to allow richer countries channel a portion of their \$438 billion Special Drawing Rights (SDRs) allocation to their low and middle-income counterparts ravaged by COVID, climate change or both. Over in the US, a final preliminary estimate affirmed that the economy grew by an annualized 6.4%QoQ in first quarter of the year. Upward revisions to non-residential fixed investment and private inventory investment were offset by an upward revision to imports. In the labor market, Thursday’s labor department report revealed a reversal in initial jobless claims as the number of Americans filing for first time unemployment benefits fell to 411,000 in the week ended June 19th. Elsewhere, the Bank of England voted during its June meeting to maintain benchmark interest rate at 0.1% and leave its bond-purchase program unchanged as policy makers signaled little to no intent to tighten monetary policy until significant progress is made towards eliminating idle economic capacity. Furthermore, CPI inflation is expected to temporarily exceed 3% owing largely to rising energy and commodity prices, before easing, to hover around the bank’s 2% medium-term target.

Domestic Economy

- ◆ This week, the entire 29.43 billion issued shares of GTB were delisted from the bourse of the Nigerian Exchange Limited (NGX), while GT Holdco's entire issued share capital of 29.43 billion ordinary shares of 50 Kobo each were also listed on the exchange at ₦28.55 per share. The Tier one lender’s shares which was placed on full suspension last week by the NGX to allow it transformed into a holding company is now GT Holdco. In the Nigerian Domestic and Foreign Debt (Q1 2021) report released by The National Bureau of Statistics (NBS). The total states and Federal Capital Territory’s debt profile fell slightly to ₦4.12trn as of the end of March 2021, from ₦4.19trn as of the end of December 2020. According to the report, the FCT had a debt of ₦69.53bn; Rivers - ₦266.94bn; Oyo - ₦91.95bn; Lagos - ₦507.38bn, amongst others.

Equities and stock recommendation

- ◆ Profit taking on market heavy weights led the 2.56% WoW decline witnessed in the Nigerian bourse. Large cap stocks like AIRTELAF (-10.00%), DANGCEM (-3.91%), BUACEMENT (-3.38%) and MTNNL (-1.21%) ended the week in negative territory, outweighing the gains posted by HONEYWELL (+10.17%), WEMA (+9.09%), GTCO (+5.08%) and JBERGER (+4.71%), which topped the gainers chart. On a sectoral basis, Telecoms (-4.97%), Cement (-3.54%) and Insurance (-0.50%) sectors witnessed selloffs during the week and more than offset the advancements recorded in other segments of the market .
- ◆ Here are the stocks we recommend for the upcoming week: **ZENITH - STRONG BUY (FVE: ₦30.20), ACCESS - STRONG BUY (FVE: ₦12.92), UBA PLC- STRONG BUY (FVE: ₦12.18) and WAPCO - STRONG BUY (FVE: ₦28.61). Click [here](#) for our Weekly Stock Recommendation .**

Fixed Income

- ◆ In the secondary market, the average fixed income yield printed 24bps higher WoW to settle at 9.23%, mirroring contrasting movements at both ends of the curve. For context, the average NTB yield jumped 54bps WoW to 6.90% following a rise in the 182-Day (+103bps) and 30-Day (+40bps) bills while at the other end of the curve, downward pressures in the Apr-2037 (-63bps) and Mar-2036 (-34bps) instruments led the average bond yield down 7bps WoW to 11.56%. In the primary market, the DMO offered ₦150.00 billion across three re-opening instruments, with the inclusion of the March-2050 instrument a notable difference from the previous auction. The offer attracted a significant level of demand as total subscription came in at ₦417.48 billion, translating to a new year-high subscription rate of 2.78x while total allotment stood at ₦325.80 billion. Meanwhile, the average stop rate settled at 13.31%, with the March-2050 stop rate printing at 13.7% .

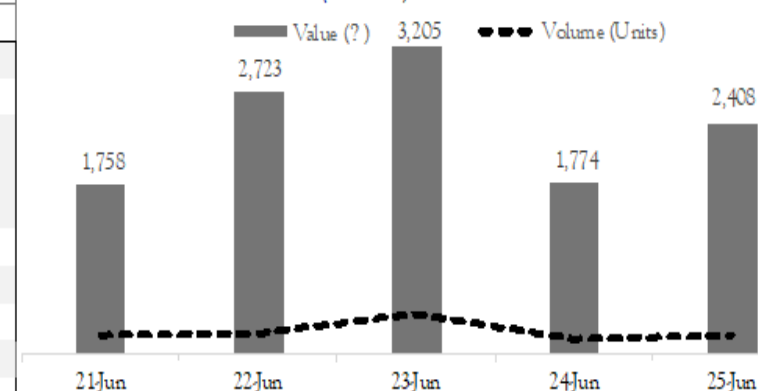
Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.59	33.82	-0.68%	-12.96%	
USD/NGN (₦/\$)					
NAFEX	412	411.5	-0.04%	-11.46%	
Parallel	497.5	488.0	-1.91%	-27.64%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (May 2021)			CHG (pps)		
Headline	17.93	18.12	-0.19	17.60	
Core	13.15	12.74	0.41	12.56	
Food	22.28	22.72	-0.44	22.062	
GDP (%) - YoY	Q1 21	Q4 20	Q3 20	FY20	
Real GDP	0.51	0.11	-3.62	-1.9	News Headline for the week (click news for link)
Oil	-2.21	-19.8	-13.9	-8.9	*Barkindo: COVID-19 Pandemic Increased Global Debt by \$24tn
Agriculture	2.3	3.4	1.4	2.2	*World Bank Lists Measures for Nigeria to Boost Non-oil Revenue
Manufacturing	3.4	-1.5	-1.5	-2.8	*Democrats' two-step infrastructure plan draws Republican ire
Services	-0.4	1.3	-5.5	-2.2	*Backing grows for new IMF COVID and climate fund
Labor Data (%) - Q4 20			Latest	Prior	*Beware of debt distress, Okonjo-Iweala, Adesina warn African leaders
Unemployment Rate			33.3	27.1	*Petrol Smuggling Rises to 42m Litres Daily, NNPC Cries Out
Underemployment			22.8	28.8	*Nigeria faces import crisis as reserves hit 13-month low
Capital Importation (\$'mn)	Q4 20	Q3 20	QoQ (%)	YoY (%)	*Oil Price Rallies above Two-year High, Breaches \$75 Mark
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*Buhari Sends N895.84bn Supplementary Appropriation Bill to Senate
Bonds	0.00	0.00		-100.0%	*Fed officials open debate on bond taper
Money Market	17.10	363.15	-95.3%	-98.8%	*WTO: Nigeria, S'Africa, Others Considered as Vaccine Production Hubs
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*Petrol scarcity looms in Abuja, others as marketers begin strike
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Experts Recommend How Nigeria Can Attract \$80bn G-7 Investment Funds
Trade Balance	2,382	2,559	1,668	-6.9%	*Lubricants import hits \$500m, hikes maintenance cost by 300%
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Recapitalisation: Insurance industry assets rise to N2.02tn

Source: CBN, NBS, FMDQ, Aboki FX, ARM Research

Index Performance	Index Returns (%)						Sector Performance	Returns (%)	
	Level	WoW	MTD	QTD	YTD	1 year		WoW	QTD
NSE ASI	37658.26	-2.56	-2.03	-3.55	-6.49	52.93	Banking	1.10%	-9.02%
NSE ASI (\$)	37658.26	-2.56	-1.95	-10.47	-6.81	41.72	Brewers	1.26%	6.51%
Market Cap (?bn)	19,940	-2.56	-2.04	-6.44	-6.79	51.53	Cement	-3.54%	-3.75%
Market Cap (\$mn)	48,399	-2.72	-1.96	-10.76	-7.11	41.59	Telecom	-4.97%	-9.36%
NSE 30	1578.17	-1.32	1.05	1.43	-3.78	47.75	Personal Care	0.32%	1.83%
NSE Premium	3518.67	-2.10	2.16	8.52	1.38	63.63	Construction	2.55%	6.16%
NSE 50	1596.62	-0.31	2.34	1.39	-3.73	42.85	Food	0.21%	-4.85%
NSE ASEM	703.94	-1.77	-3.73	-3.73	-3.55	-7.67	Insurance	-0.50%	4.03%
NSE Banking	365.83	0.92	2.64	-1.04	-6.92	27.25	Oil & Gas	0.26%	69.30%
NSE Insurance	199.26	-0.83	-2.51	-2.58	5.15	53.96	Real Estate	0.06%	-2.23%
NSE Consumer	571.60	0.57	1.74	5.28	-0.31	33.32	ARM Indices		
NSE Oil & Gas	314.58	0.12	1.73	18.32	39.07	57.72		WoW	QTD
NSE Industrial	1886.35	-3.33	0.33	-0.18	-8.09	57.31	Large Cap (Top 10%)	-2.82%	-6.82%
NSE Lotus	2688.69	-1.63	0.84	1.42	-5.53	44.15	Mid Cap (Mid 30%)	0.19%	-0.39%
NSE Pensions	1460.57	0.02	2.29	7.19	5.18	48.80	Small Cap (Bottom 60%)	2.72%	-31.80%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
VITAFOAM	14.25	17.8%	AIICO	1.05	-3.7%
HONYFLOUR	1.55	10.7%	ETI	5.00	-3.8%
PORT	2.64	10.0%	DANGCEM	221.00	-3.9%
REDSTARE	3.67	9.6%	FCMB	3.00	-6.0%
WEMABANK	0.60	9.1%	MBENEFIT	0.42	-6.7%
FIDSON	5.56	9.0%	UBN	5.35	-7.8%
IKEJAHOT	1.00	6.4%	ETRAN	2.06	-8.4%
AIRSERVI	7.05	5.7%	LASACO	1.37	-8.7%
JBERGER	20.00	4.7%	AIRTELAF	678.00	-10.0%
SOVRENIN	0.27	3.8%	ROYALEX	0.63	-12.5%

Volume and Value Traded (millions)



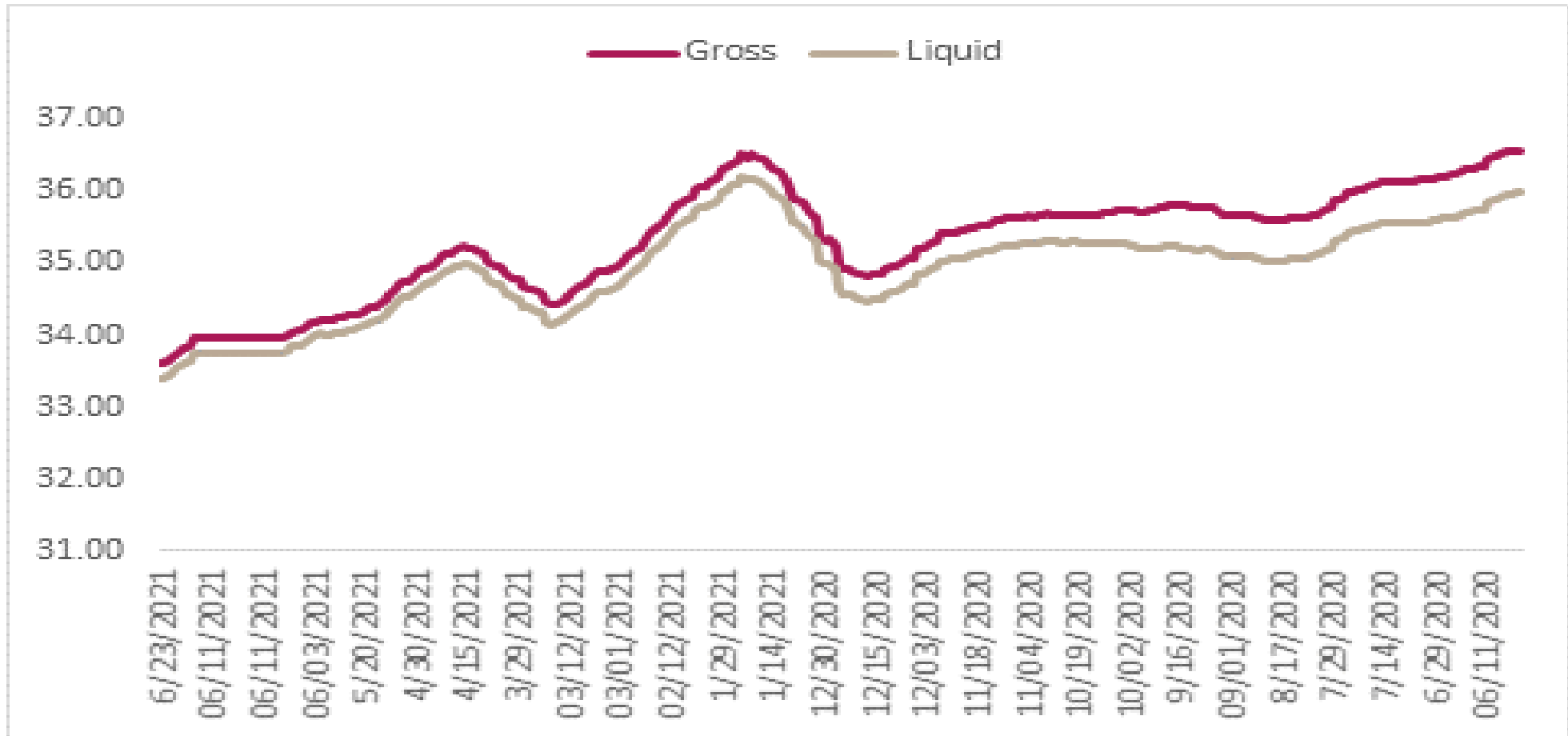
Source: NSE, Bloomberg, ARM Research

	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	23.00%	19.25%	3.75%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90
Open Buy Back (OBB)	22.00%	18.75%	3.25%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04
NIBOR - 1M	12.10%	12.32%	-0.22%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
NIBOR - 3M	13.27%	13.56%	-0.29%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00
NIBOR - 6M	16.19%	14.95%	1.24%	06-May-21	7.00%	8.50%	10.10%	06-May-21	4.31	3.80	14.30
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	4.02%	3.62%	0.40%	16-Jun-21	2.50%	3.50%	9.40%	16-Jun-21	1.61	1.10	27.87
3-month	5.13%	4.85%	0.28%	09-Jun-21	2.50%	3.50%	9.64%	09-Jun-21	5.06	10.94	164.11
6-month	7.31%	6.28%	1.03%	26-May-21	2.50%	3.50%	9.65%	26-May-21	3.12	4.12	143.89
9-month	8.73%	8.75%	-0.02%	14-May-21	2.50%	3.50%	9.75%	14-May-21	8.44	7.99	122.56
12-month	9.37%	9.76%	-0.39%	28-Apr-21	2.00%	3.50%	9.75%	28-Apr-21	7.19	6.00	116.27
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					Mar-27	Mar-35	Jul-45		Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	3.80%	3.65%	0.15%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
16.39% 27-JAN-2022	7.35%	7.45%	-0.10%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	11.85%	11.83%	0.02%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	12.60%	12.52%	0.08%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	12.71%	12.65%	0.06%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.87%	13.00%	-0.13%	Corporate Bonds				Corporate Eurobond			
16.2499% 18-APR-2037	12.90%	13.53%	-0.63%		This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
14.8% 26-APR-2049	13.49%	13.29%	0.20%	MIXTA 17.00% 16-JAN-2022	6.71%	6.71%	0.00%	ACCESS 10.50% 19-OCT-2021	5.00%	5.00%	0.00%
				DUFIL 18.25% 1-SEP-2022	11.56%	12.03%	-0.47%	ZENITH 7.375% 30-MAY-2022	3.16%	3.15%	0.01%
				LAPO MFB 17.75% 19-DEC-2022	14.26%	14.52%	-0.26%	UBA 7.75% 08-JUN-2022	3.94%	4.16%	-0.22%
				STERLING 16.50% 3-AUG-2023	12.60%	12.61%	-0.01%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
				FCMB 17.25% 8-DEC-2023	13.10%	13.09%	0.01%				
				ACCESS 15.50% 23-JUL-2026	15.44%	15.37%	0.07%				
				VIATHAN 16.00% 14-DEC-2027	13.37%	13.31%	0.06%				
				UNION 16.20% 27-JUN-2029	15.71%	15.72%	-0.01%				
				FIDELITY 8.50% 27-JAN-2031	13.52%	13.57%	-0.05%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Foreign Reserves plunges to 13-month Low.

Nigeria's FX reserve has continued its decline over the last few weeks and is currently at US\$33.6bn, the lowest in 13 months .



Source: CBN, ARM Research

Thank You



ARM Securities

Research	234 (1) 2701653	research@armsecurities.com.ng
Institutional Sales & Trading	234 (1) 448 8833	trading@armsecurities.com.ng
Customer Service	234 (1) 4488282	customerservice@armsecurities.com.ng

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